

Message Text

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12

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 COME-00 XMB-07 EA-11 AID-20

TRSE-00 OMB-01 INT-08 CIAE-00 DODE-00 INR-10 NSAE-00

PA-04 RSC-01 USIA-15 PRS-01 SP-03 DRC-01 /110 W

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R 172107Z MAY 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8629

UNCLSA SANTIAGO 2710

PASS COMMERCE AND EX-IM BANK

E.O.11652:N/A

TAGS: EIND CI

SUBJ: MAJOR PROJECTS IN CHILE - STEEL- IRON ORE EXPANSION

REF: A) SANTIAGO 872

B) STATE 42509

1. CHILEAN STEEL COMPANY (CAP) OFFICIALS BRIEFED EMBOFFS ON PRESENT STATUS HUASCO VALLEY EXPANSION PROGRAM WHICH CONTEMPLATES IRON PELLET LOADING PORT AND GUACOLDA, IRON PELLETIZING PLANT, AND OPENING OF BOQUERON-CHANAR IRON MINE.

2. JAPANESE HAVE GIVEN CAP \$85 MILLION LOAN TO BUILD PELLETIZING PLANT. CHILE WILL REPAY WITH IRON PLEETS, THEREBY TAKING LOAN OUTSIDE OF IMF CREDIT RESTRICTIONS. PLANT EXPECTED TO BE OPERATION IN 1977. CANADIAN EDC'S OFFER TO CONSIDER LOAN FOR GUACOLDA PORT FACILITIES HAS NOT BEEN PURSUED BY CAP BECAUSE CAP FINDING IT DIFFICULT TO CONVINCE GOC OF PROJECT'S PRIORITY VIS-A-VIS OTHER SECTORS. WORK AT BOQUERON-CHANAR MINE PROCEEDING AT SLOW PACE FOR SAME REASON.

3. CAP OFFICIALS SAID CAP COULD BEGIN PELLETIZING AND PELLET EXPORT OPERATIONS AND CONTINUE THEM FOR TWO

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OR THREE YEARS EVEN IF GUACOLDA PORT AND BOQUERON-CHANAR

MINE NOT OPERATION. ALGARROBO MINE PRODUCTION WILL BE SUFFICIENT TO FEED PELLETIZING PLANT FOR THAT TIME PERIOD. LACK OF NEW PORT FACILITIES WILL LIMIT SIZE OF SHIPS PICKING UP PELLETS TO 150,000 TON CLASS AND THEREFORE RAISE TRANSPORTATION COSTS, BUT THIS NOT SO SERIOUS GIVEN RELATIVE SCARCITY OF ORE CARRIERS OF 250,000 TON CLASS.

4. CAP ALSO SEEKING CREDITS FOR STEEL MILL HANDLING EQUIPMENT (\$7 MILLION) AND ROLLERS (\$10 MILLION) FOR EXISTING PLANT. CAP OFFICIALS SAID U.S. COMMERCIAL BANK WILLING TO EXTEND UNUSUAL 7 YEAR CREDITS FOR HANDLING EQUIPMENT AS SPECIAL DEAL BASED ON GOOD RELATIONS PRIOR TO ALLENDE YEARS. CAP INTERESTED IN EX-IM CREDIT FOR ROLLERS. POPPER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, IRON, INDUSTRY, CONSTRUCTION, LOANS, INDUSTRIAL PLANTS, PROGRAMS (PROJECTS), PORT FACILITIES, COMMERCIAL BANKS, CREDIT AUTHORIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTIA02710
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740123-1203
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740538/aaaabhpb.tel
Line Count: 75
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A) SANTIAGO 872
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 28 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 OCT 2002 by elyme>; APPROVED <07 JAN 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECTS IN CHILE - STEEL- IRON ORE EXPANSION
TAGS: EIND, CI, JA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005